

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 25 – HB 51

February 2, 2011

SUMMARY OF AMENDMENT (002262): Deletes the original bill. Requires that if the proposed transfer of the administration of a special school district to the county board of education will cause an increase in student enrollment of 100 percent or more to the county school system, and if a referendum is passed approving consolidation, then a transition plan for consolidation shall be developed and the transfer shall not take effect until the third full school year following the referendum's certification. Requires development of a transition plan by a 21-member transition planning commission. The county mayor, the chair of the county board of education, and the chair of the board of education of the special school district shall serve as *ex officio* members. The county mayor, the chair of the county board of education, and the chair of the board of education of the special school district shall each appoint five members. The Governor, the Speaker of the Senate, and the Speaker of the House of Representatives shall jointly appoint three members. After the date of the transfer, municipalities may create new municipal or special school districts that are separate from the consolidated local education agency (LEA).

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Expenditures - \$1,000,000/One-Time/Permissive

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

State Expenditures – Not Significant

Other Fiscal Impact – There would be no change in funding for consolidating LEAs until the transfer of power is effective. Any municipality choosing to form a new special or municipal school district would become a LEA independent from the consolidated LEA and receive money from the state through the Basic Education Program (BEP) and would have a local BEP maintenance of effort (MOE) requirement. The exact amount of the new MOE is unknown and will depend on the number of students in the new LEA and the fiscal capacity of the new school district. Any permissive increase in local expenditures to fund the new school district's portion of the BEP local match is estimated to exceed \$3,000,000. The MOE for the consolidated LEA will be reduced according to the number of students who leave the consolidated LEA.

The fiscal impact is based on the following assumptions:

- If approved in a referendum, Memphis City and Shelby County schools will be consolidated after the three-school-year waiting period.
- Any new municipal or special LEA would no longer be a part of the consolidated Shelby County LEA. The county LEA would retain any local dollars currently funding students moving into the new municipal LEA. Municipalities forming their own school systems would be required to fund a portion of the BEP through a local match and would be responsible for meeting maintenance of effort requirements.
- BEP ratios for the new municipal LEA would be based on the number of students in the new LEA and the new district's fiscal capacity. The ratios would not require a significant increase in state BEP dollars.
- Currently, annual per student expenditures in Shelby County are \$8,439, divided between the state (47.8%), county (43.7%), and federal government (8.5%).
- Assuming at least 1,000 students in the new special school district and using the current per student expenditures and funding ratios for Shelby County, the total increase in expenditures would be \$8,439,000 (\$8,439 x 1,000). Of this amount, the State BEP would be \$4,033,842 (47.8% of \$8,439,000); local match would be \$3,687,843 (43.7% of \$8,439,000); and federal dollars received would be \$717,315 (8.5% of \$8,439,000).
- All costs for the transition planning commission will be handled within existing resources combined from Shelby County, the City of Memphis, and the Memphis City and Shelby County LEAs that will be set aside for the transition planning commission expenses. Commission members will not receive reimbursement for travel or per diem costs. Printing and other administrative costs for the commission are estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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